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May 15, 2020

Consolidated Financial Results Announcement for the First Quarter of the Fiscal Year Ending December 2020 [Japanese Standards] (Consolidated)

Company name: Fullcast Holdings Co., Ltd.
 Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 4848
 URL: <https://www.fullcastholdings.co.jp>
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 Date of submission of quarterly report (Planned): May 15, 2020
 Date of commencements of dividend payments (Planned): -
 Preparation of supplementary references regarding financial results: Yes (shown on our website)
 Briefing for quarterly results: No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2020 (January 1 to March 31, 2020)

(1) Consolidated Business Results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY12/20 (March 31, 2020)	10,675	5.5	1,696	6.6	1,746	8.9	1,132	6.2
1Q FY12/19 (March 31, 2019)	10,119	16.8	1,591	28.0	1,604	25.6	1,066	28.8

(Note) Comprehensive income: 715 million yen ((41.9%) as of March 31, 2020) 1,231 million yen (45.1%) as of March 31, 2019

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
1Q FY12/20 (March 31, 2020)	30.45		30.29	
1Q FY12/19 (March 31, 2019)	28.34		28.21	

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
End 1Q FY12/20 (March 31, 2020)	22,486	16,221	68.2
FY12/19 End	23,464	16,213	65.8

(Reference) Equity: 15,333 million yen as of March 31, 2020 15,447 million yen as of December 31, 2019

2. Dividend Status

	Dividend per share (Yen)				
	1Q End	1H End	3Q End	FY End	Annual
FY12/19	-	19.00	-	21.00	40.00
FY12/20	-	-	-	-	-
FY12/20 Forecast	-	-	-	-	-

(Note) Revision of dividends forecast during the current first quarter: Yes

We have withdrawn guidance regarding the interim and full-year dividends for the fiscal year ending December 2020. We will announce the dividend forecast promptly once it becomes possible to disclose a business forecast.

3. Consolidated Business Forecasts for the Fiscal Year Ending December 31, 2020
(January 1 to December 31, 2020)

(% = year-on-year change for each quarter and full-year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	-	-	-	-	-	-	-	-	-
Full year	-	-	-	-	-	-	-	-	-

(Note) Revision of consolidated business forecasts in the current first quarter: Yes

Currently, with the COVID-19 pandemic continuing to grow, the situation continues to change daily. Since there are many elements of uncertainty at present about the impacts on consolidated performance, such as when the COVID-19 pandemic will end, government moves, along with the situation and moves by clients, we have decided to withdraw guidance on the business forecasts for the first half and full-year.

Going forward, if it determines the consolidated business forecast can be disclosed again, based on developments in the situation and progress of business, we will disclose such information promptly.

*** Notes**

(1) Important changes of subsidiaries during the current first quarter: None

(Changes in specific subsidiaries involving changes in the scope of consolidation)

(2) Application of special accounting treatment in the production of quarterly consolidated financial statements: None

(3) Changes in accounting principles, accounting estimates, and re-presentation of changes

1) Changes in accounting policies associated with revisions of accounting principles and others: None

2) Changes in accounting policies other than those mentioned in 1) above: None

3) Changes in accounting estimates: None

4) Re-presentation of changes: None

(4) Number of issued shares (Ordinary shares)

- 1) Number of issued shares at the term end (Including treasury shares)
- 2) Number of treasury shares at the term end
- 3) Average number of shares outstanding during the current term

1Q FY12/20	38,486,400	FY12/19	38,486,400
1Q FY12/20	1,328,352	FY12/19	1,328,352
1Q FY12/20	37,158,048	1Q FY12/19	37,607,848

* Quarterly financial results are not subject to quarterly review by a certified public accountant or auditing corporation.

* Explanations of the proper use of financial business forecasts and other important notes

Of all plans, business forecasts, strategies and other information provided within this document, those which are not historical facts are future outlooks based upon certain conditions and our management's judgments based upon currently available data. Therefore, we warn against relying solely upon these outlooks in assessing our business results, corporate value and other factors. Please also be informed that actual financial results may vary widely from our business forecasts due to various factors. Important factors that may have an impact upon our actual financial results include: (1) economic and financial conditions surrounding our Company and changes in the employment situation, (2) damages to infrastructure arising from disasters including earthquakes, and (3) changes in relevant laws, including the Labor Standards Act and the Worker Dispatching Act, and in interpretations of these Acts. However, factors that affect our financial results are not limited to only these. Furthermore, please note that we may choose not to reexamine our business forecasts in response to new data, future events or other factors. For assumptions underlying our business forecasts and related issues, please refer to page 4 "1-(3) Explanation of Consolidated Business Forecasts" of the "Appendix".

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1. Qualitative Information Concerning Performance for the Current Quarter

(1) Explanation of Consolidated Operating Results

Japan's economy experienced a significant downturn most recently in the first quarter of the current fiscal year, and it continues to face severe conditions. These conditions include general weakness in individual consumption, weakness in corporate profits centered mainly on the manufacturing industry, deteriorating business sentiment among corporations caused by the spread of the COVID-19 pandemic, and negative impacts of the relevant restrictions. The current conditions point to the potential for a continuation of the severe conditions caused by the COVID-19 pandemic in the near future. In addition to the risk that the pandemic will bring a further downturn in the Japanese and global economies, there is a need to closely monitor various factors including volatility in the financial and capital markets. As such, the future outlook remains uncertain.

With regard to the operating environment surrounding the staffing service industry, although the trend of improving employment situation continues, the impacts from the pandemic are evident, including declining number of new job offers, declining job offers-to-applicants ratio, and rising number of unemployed. The future outlook requires that careful attention be paid to the impacts of the pandemic.

Against this backdrop, the Fullcast Group implemented group management activities to achieve our goal of "Achieving the targets of the final fiscal year of the Medium-Term Management Plan by expand the "Short-Term Operational Support Business" and promote to gain new business opportunities in neighboring business fields" during the first current quarter. In particular, marketing activities were implemented with an emphasis on boosting overall profitability of the Fullcast Group and focused upon the mainstay "Placement" (Note 1) and "BPO" (Note 2) services. In addition, efforts are being made to create a structure that can realize higher profits by increasing productivity and promoting operational efficiencies across the entire Fullcast Group.

Consolidated net sales inched up by 5.5% year-on-year to 10,675 million yen. This was mainly attributed to slower-than-expected growth in the "Short-Term Operational Support Business" due to the impacts from the fluctuations in demand from individual client companies caused by the COVID-19 pandemic.

In terms of profits, consolidated operating profit increased by only 6.6% year-on-year to 1,696 million yen, consolidated ordinary profit increased by just 8.9% year-on-year to 1,746 million yen and profit attributable to owners of parent inched higher by 6.2% year-on-year to 1,132 million yen, due mainly to slower-than-expected growth in the mainstay services.

Furthermore, the Group acquired shares of HR Management Co., Ltd. on January 1, 2020, making it a consolidated subsidiary. In addition, the Group has included NIHON DENKI SERVICE Co., Ltd., which was an unconsolidated subsidiary equity method affiliate up to the previous fiscal year, in the scope of consolidation from the first quarter of the fiscal year ending December 2020.

Of the Company's consolidated subsidiaries, HR Management Co., Ltd. and NIHON DENKI SERVICE Co., Ltd. end their fiscal years on March 31. Consequently, consolidated financial statements were prepared based on provisional settlements conducted as of the fiscal year end for consolidated accounts. All other consolidated subsidiaries fiscal year match that of the Company's fiscal year.

- Notes:
1. The mainstay "Part-Time Worker Placement" service is referred to as "Placement".
 2. The mainstay "Part-Time Work Payroll Management" services, as well as other personnel and labor-related business process outsourcing (BPO) services such as the "My Number Management" service, and the back office BPO services of BOD Co., Ltd. are referred to as "BPO".

The results for each of our business segments are as follows.

1) Short-Term Operational Support Business

Net sales of the "Short-Term Operational Support Business" inched up by 5.5% year-on-year to 9,217 million yen. This was mainly attributed to slower-than-expected growth in the mainstay "Placement" service of the "Short-Term Operational Support Business" due to the impacts from the fluctuations in demand from individual client companies caused by the COVID-19 pandemic.

Segment profit (Operating profit) inched up by 1.3% year-on-year to 1,785 million yen due mainly to slower-

than-expected growth in the mainstay services.

2) Sales Support Business

Net sales of the “Sales Support Business” increased by 13.7% year-on-year to 907 million yen, driven mainly by the inclusion of the earnings of NIHON DENKI SERVICE Co., Ltd., a newly consolidated subsidiary from this fiscal year.

Segment profit (Operating profit) increased 83 million yen year-on-year to 74 million yen (9 million yen segment loss in the previous first quarter) because of the increase in net sales.

3) Security, Other Businesses

Net sales of the “Security, Other Businesses” declined by 5.2% year-on-year to 551 million yen, due mainly to a decline in temporary security projects caused by the impacts of the COVID-19 pandemic.

Segment profit (Operating profit) increased by 9.5% year-on-year to 62 million yen thanks to efforts to restrain SG&A expenses that improved the operating profit ratio, despite a drop in revenue.

(Risk information concerning the COVID-19 pandemic)

In the first quarter of the current fiscal year, the following matter has occurred that should be added to risks associated with our businesses noted in the securities report for the previous fiscal year.

Furthermore, forward-looking statements were determined as of the final day of the first quarter of the current fiscal year.

Note that the item number for the following heading corresponds to those of “Section 1 Corporate Information, Part 2 State of Business, 2. Risks Associated with Our Businesses” in the Securities Report for the previous fiscal year.

(9) Large-scale Natural Disasters and Pandemics

Our Group has implemented countermeasures after working to put into place a crisis management system for contingencies. However, if natural disasters, such as typhoons, earthquakes or tsunamis, were to occur that exceeded the Group’s expectations or a pandemic occurs and spreads far beyond our Group’s expectations, these events could impact the business activities of our Group or our Group’s business partners, and have a negative effect on our Group’s business results and financial position.

The following presents the impacts that the COVID-19 pandemic is having on the Group:

- Current situation and response of the Group

The Group is taking necessary steps to extend special consideration to its employees and their families. This includes having employees who feel ill go home early or standing by at home. We are also allowing employees with children in primary or secondary school to work from home. In addition, since the issuance of the Declaration of a State of Emergency by the Japanese government on April 7, 2020, we have shifted to business operations predominated on employees working from home and utilized video conferencing to minimize the number of times employees have to come to the office, in an effort to prevent the spread of COVID-19.

If someone were to test positive, we will ensure they do not come into work (standby at home), including any family members.

- Impacts on the Group’s businesses

In the Group's mainstay the “Short-Term Operational Support Business”, we do business with customers in a multitude of different industries and sectors. As a result, the Group is being affected by fluctuating demand from individual client companies caused by the COVID-19 pandemic, beyond a particular industry and sector.

In addition, “Outsourcing” in the “Short-Term Operational Support Business” along with the “Sales Support Business” and “Security, Other Businesses” are being affected due to the postponement and cancellation of various events.

Furthermore, client company demand is contracting in general due to the Declaration of a State of Emergency issued for urban areas on April 7 and expanded nationwide on April 16 by the Japanese government, along with the requirement to refrain from or cease business activities, and thus the Company's performance is being affected.

- Impacts on the Company's consolidated performance

Currently, with the COVID-19 pandemic continuing to grow, the situation continues to change daily. Since there are many elements of uncertainty at present about the impacts on consolidated performance, such as when the COVID-19 pandemic will end, government moves, along with the situation and moves by clients, we have decided to withdraw guidance on the business forecasts for the first half and full-year.

Going forward, if it determines the consolidated business forecast can be disclosed again, based on developments in the situation and progress of business, we will disclose such information promptly.

- The Group's cash situation

The Group's cash and deposits totaled 11,373 million yen, equivalent to 3.2 months of average sales during the period under review, as of the end of the first quarter of the fiscal year ending December 2020. At the same point in time, the current ratio stood at 318%, which ensures the Company has ample liquidity.

(2) Explanation of Consolidated Financial Position

Assets, Liabilities and Net Assets

At the end of the first quarter, total assets decreased by 978 million yen from the end of the previous fiscal year to 22,486 million yen. Equity decreased by 114 to 15,333 million yen (Equity ratio of 68.2%), and net assets increased by 8 to 16,221 million yen.

Details of major changes in assets and liabilities are described as follows.

With regards to assets, current assets decreased by 589 million yen from the end of the previous fiscal year to 17,380 million yen. This decrease is attributed mainly to decreases in notes and accounts receivable - trade of 476 to 5,301 million yen and cash and deposits of 438 to 11,373 million yen, versus an increase in other under current assets of 309 to 656 million yen caused mainly by an increase in accounts receivable - other of 339 to 379 million yen.

Non-current assets decreased by 389 million yen from the end of the previous fiscal year to 5,106 million yen. This decrease is mainly attributed to a decline in investment securities of 684 to 2,115 million yen, compared to a rise in other under investments and other assets of 259 to 1,072 million yen due mainly to an increase in deferred tax assets of 221 to 371 million yen.

With regard to liabilities, current liabilities decreased by 969 million yen from the end of the previous fiscal year to 5,458 million yen. This decrease is attributed mainly to declines in income taxes payable of 985 to 244 million yen, accrued consumption taxes of 314 to 893 million yen, accrued expenses of 255 to 966 million yen, and accounts payable - other of 210 to 1,057 million yen, which covered an increase in other under current liabilities of 625 to 985 million yen due mainly to a rise in withholding income tax deposits received of 823 to 895 million yen, and an increase in provision for bonuses of 164 to 236 million yen.

Non-current liabilities decreased by 17 million yen from the end of the previous fiscal year to 808 million yen. This decrease is mainly attributed to a decrease in other under non-current liabilities of 55 to 140 million yen caused mainly by a decline in deferred tax liabilities of 60 to 0 million yen, which offset increases in long-term borrowings of 20 to 20 million yen, and in retirement benefit liability of 19 to 648 million yen.

(3) Explanation of Consolidated Business Forecasts

Since there are many elements of uncertainty at present about the impacts on consolidated earnings, such as when the COVID-19 pandemic will end, government moves, along with the situation and moves by clients, we

have decided to withdraw guidance on the business forecasts for the first half and full-year. Furthermore, client company demand is contracting in general due to the Declaration of a State of Emergency issued for urban areas on April 7 and expanded nationwide on April 16 by the Japanese government, along with the requirement to refrain from or cease business activities, and thus the Company's performance is being affected. Going forward, if it determines the consolidated business forecast can be disclosed again, based on developments in the situation and progress of business, we will disclose such information promptly.

Also, we have withdrawn guidance for the forecasts of the interim and year-end dividends for the fiscal year ending December 2020 in conjunction with the same handling of the business forecast.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY12/19 End (December 31, 2019)	1Q FY12/20 End (March 31, 2020)
ASSETS		
Current assets		
Cash and deposits	11,811	11,373
Notes and accounts receivable-trade	5,777	5,301
Merchandise	26	38
Supplies	32	33
Other	346	656
Allowance for doubtful accounts	(23)	(20)
Total current assets	17,969	17,380
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	279	283
Tools, furniture and fixtures, net	189	257
Land	184	184
Other, net	1	1
Total property, plant and equipment	653	725
Intangible assets		
Goodwill	943	919
Other	342	326
Total intangible assets	1,285	1,246
Investments and other assets		
Investment securities	2,798	2,115
Other	814	1,072
Allowance for doubtful accounts	(55)	(52)
Total investments and other assets	3,557	3,136
Total non-current assets	5,495	5,106
Total assets	23,464	22,486

(Million yen)

	FY12/19 End (December 31, 2019)	1Q FY12/20 End (March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	24	33
Short-term borrowings	1,000	1,000
Accounts payable - other	1,267	1,057
Accrued expenses	1,221	966
Income taxes payable	1,229	244
Accrued consumption taxes	1,206	893
Provision for bonuses	71	236
Allowance for subscription cancellations	48	45
Other	360	985
Total current liabilities	6,427	5,458
Non-current liabilities		
Long-term borrowings	-	20
Retirement benefit liability	629	648
Other	195	140
Total non-current liabilities	824	808
Total liabilities	7,251	6,265
NET ASSETS		
Shareholders' equity		
Share capital	2,780	2,780
Capital surplus	2,006	2,006
Retained earnings	12,119	12,471
Treasury shares	(2,107)	(2,107)
Total shareholders' equity	14,798	15,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	649	232
Foreign currency translation adjustment	-	(49)
Total accumulated other comprehensive income	649	183
Share acquisition rights	119	130
Non-controlling interests	646	758
Total net assets	16,213	16,221
Total liabilities and net assets	23,464	22,486

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

[First Quarter of the Current Fiscal Year]

(Million yen)

	1Q FY12/19 (January 1 to March 31, 2019)	1Q FY12/20 (January 1 to March 31, 2020)
Net sales	10,119	10,675
Cost of sales	5,682	6,016
Gross profit	4,437	4,660
Selling, general and administrative expenses	2,846	2,964
Operating profit	1,591	1,696
Non-operating income		
Dividend income	-	1
Share of profit of entities accounted for using equity method	1	39
Gain on adjustment of account payable	-	18
Other	25	10
Total non-operating income	26	68
Non-operating expenses		
Interest expenses	3	2
Settlement package	4	5
Other	6	11
Total non-operating expenses	12	18
Ordinary profit	1,604	1,746
Extraordinary losses		
Loss on retirement of non-current assets	5	2
Loss on disaster	6	-
Total extraordinary losses	10	2
Profit before income taxes	1,594	1,744
Income taxes - current	581	603
Income taxes - deferred	(67)	(67)
Total income taxes	513	535
Profit	1,080	1,209
Profit attributable to non-controlling interests	14	77
Profit attributable to owners of parent	1,066	1,132

Quarterly Consolidated Statement of Comprehensive Income
 [First Quarter of the Current Fiscal Year]

(Million yen)

	1Q FY12/19 (January 1 to March 31, 2019)	1Q FY12/20 (January 1 to March 31, 2020)
Profit	1,080	1,209
Other comprehensive income		
Valuation difference on available-for-sale securities	151	(445)
Foreign currency translation adjustment	-	(49)
Total other comprehensive income	151	(494)
Comprehensive income	1,231	715
(Comprehensive income attributable to)		
Owners of parent	1,206	666
Non-controlling interests	26	49

(3) Notes on Quarterly Consolidated Financial Statements

(Concerning Notes about Going Concern Assumption)

There are no relevant matters.

(Concerning Significant Change of Shareholders' Equity)

There are no relevant matters.

(Segment Information and Others)

[Segment Information]

First Quarter of the Previous Fiscal Year (January 1 to March 31, 2019)

Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	8,739	798	581	10,119	-	10,119
Inter-segment sales or transfers	0	-	-	0	(0)	-
Total	8,739	798	581	10,119	(0)	10,119
Segment profit or loss (-)	1,762	(9)	57	1,810	(219)	1,591

- Notes: 1. (3) million yen in inter-segment eliminations and (216) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (219) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.
2. Segment profit or loss (-) is adjusted with operating profit as listed in quarterly consolidated statement of income.

First Quarter of the Current Fiscal Year (January 1 to March 31, 2020)

Information Concerning Sales, Profits and Losses for Each Reporting Segment

(Million yen)

	Reporting segment			Total	Adjustment amount (Note 1)	Quarterly consolidated statement of income amount (Note 2)
	Short-Term Operational Support Business	Sales Support Business	Security, Other Businesses			
Net sales						
Sales to external customers	9,217	907	551	10,675	-	10,675
Inter-segment sales or transfers	3	-	3	6	(6)	-
Total	9,220	907	554	10,681	(6)	10,675
Segment profit	1,785	74	62	1,921	(225)	1,696

- Notes: 1. (0) million yen in inter-segment eliminations and (225) million yen in company-wide expenses not allocated to any specific reporting segment are included in the (225) million yen segment profit adjustment amount. Company-wide expenses are mainly general and administrative expenses that do not belong to any specific reporting segments.
2. Segment profit is adjusted with operating profit as listed in quarterly consolidated statement of income.

(Major Subsequent Events)

(Tender Offer for Treasury Shares)

In accordance with the resolution at the Board of Directors' Meeting held on February 7, 2020, the Company conducted a tender offer of treasury shares (hereinafter referred to as "the Tender Offer").

1. Reasons for Acquisition of Treasury Shares

Treasury shares will be acquired in order to provide greater returns to shareholders as well as to implement a flexible capital policy to enhance capital efficiency.

2. Resolution in Board of Directors Meeting

Type of share certificates	Total	Total acquisition cost
Ordinary shares	449,600 shares (Upper limit)	991,817,600 yen (Upper limit)

Notes: 1. Total number of issued shares:	38,486,400 shares (As of February 7, 2020)
2. Percentage of the total issued shares:	1.17% (Rounded to three decimal places)
3. Acquisition period:	February 10, 2020 to April 24, 2020

3. Details Relating to the Acquisition

(1) Schedule, etc.

1) Resolution in Board of Directors' Meeting	February 7, 2020
2) Publication date for commencing the Tender Offer	February 10, 2020
3) Filing date for the Tender Offer registration statement	February 10, 2020
4) Period of the Tender Offer	February 10 to March 10, 2020 (20 business days)

(2) Tender Offer Price

2,206 yen per share of ordinary share

The Company decided at the Board of Directors' Meeting held on February 7, 2020 to set the Tender Offer price at 2,206 yen discounted by 10% from 2,451 yen (Rounded to the nearest whole yen), which was the closing price of the Company's ordinary share on the First Section of the TSE on February 6, 2020, the business day before the date of the Board of Directors' Meeting that resolved to carry out the Tender Offer (February 7, 2020).

(3) Number of Share Certificates Purchased

Type of share certificates	Number of share certificates purchased	Number of planned excess amount of shares	Total
Ordinary shares	449,500 shares	- shares	449,500 shares

(4) Funds required for the Tender Offer

1,019,022,731 yen

Note: The amount of funds required for the Tender Offer was the total of the purchase costs (991,597,000 yen), purchase handling charges, and other expenses including expenses required for the newspaper public notice regarding the Tender Offer and printing expenses for the Tender Offer explanation and other necessary documents.

(5) Commencement date of settlement

April 2, 2020